

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL NOTE**

**HB 2677 - SB 2574**

March 12, 2012

**SUMMARY OF BILL:** Exempts from state and local sales tax the retail sale of gold and silver bullion when used as a medium of exchange, security, or commodity.

**ESTIMATED FISCAL IMPACT:**

On February 27, 2012, a fiscal note was issued estimating a fiscal impact as follows:

*Decrease State Revenue – Net Impact - \$2,862,600*

*Decrease Local Revenue – Net Impact - \$1,209,400*

Due to incomplete information, this impact was in error. This corrected fiscal note takes into account an additional assumption accounting for sales of gold, silver, and platinum bullion sold online, for which no state and local sales taxes are currently collected due to nexus-related issues. Based upon the additional assumption, the estimated impact is:

**(CORRECTED)**

**Decrease State Revenue – Net Impact - \$1,431,300**

**Decrease Local Revenue – Net Impact - \$604,700**

**Assumptions:**

- According to the Department of Revenue (DOR), and based on a study conducted by Washington State Department of Revenue entitled 2012 Tax Exemption Study, and further based on adjustment which takes population into account, DOR estimates taxable sales in Tennessee, for gold and silver bullion which is used as a medium of exchange, security, or commodity, is reasonably estimated to be \$45,000,000.
- Fifty percent of taxable sales are for gold, silver, and platinum bullion sold online for which no state and local sales tax is collected or remitted under current law due to nexus-related issues.
- Adjusted taxable sales are estimated to be \$22,500,000 (\$45,000,000 x 50.0%). This number is assumed to remain constant under current law.

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- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.
- The recurring decrease in state sales tax revenue as a result of the proposed exemption is estimated to be \$1,575,000 ( $\$22,500,000 \times 7.0\%$ ); the recurring decrease in local option sales tax revenue as a result of the proposed exemption is estimated to be \$562,500 ( $\$22,500,000 \times 2.5\%$ ).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue.
- The recurring decrease in local revenue pursuant to the state-shared allocation as a result of the proposed exemption is estimated to be \$72,332 ( $\$1,575,000 \times 4.5925\%$ ).
- The net recurring decrease in state revenue as a result of the proposed exemption is estimated to be \$1,502,668 ( $\$1,575,000 - \$72,332$ ).
- The total recurring decrease in local revenue as a result of the proposed exemption is estimated to be \$634,832 ( $\$562,500 + \$72,332$ ).
- Fifty percent of tax savings will be spent in the economy on other sales-taxable goods and services.
- Recurring tax savings is estimated to be \$2,137,500 ( $\$1,575,000 + \$562,500$ ).
- The recurring increase in state sales tax revenue as a result of 50 percent of tax savings being spent in the economy is estimated to be \$74,813 ( $\$2,137,500 \times 50.0\% \times 7.0\%$ ).
- The recurring increase in local option sales tax revenue as a result of 50 percent of tax savings being spent in the economy is estimated to be \$26,719 ( $\$2,137,500 \times 50.0\% \times 2.5\%$ ).
- The recurring increase in local revenue pursuant to the state-shared allocation as a result of 50 percent of tax savings being spent in the economy is estimated to be \$3,436 ( $\$74,813 \times 4.5925\%$ ).
- The net recurring increase in state revenue as a result of 50 percent of tax savings being spent in the economy is estimated to be \$71,377 ( $\$74,813 - \$3,436$ ).
- The total recurring increase in local revenue as a result of 50 percent of tax savings being spent in the economy is estimated to be \$30,155 ( $\$26,719 + \$3,436$ ).
- The net recurring decrease in state revenue as a result of this bill is estimated to be \$1,431,291 ( $\$1,502,668 - \$71,377$ ).
- The net recurring decrease in local revenue as a result of this bill is estimated to be \$604,677 ( $\$634,832 - \$30,155$ ).

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/rnc